

Message Text

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13

ACTION NEA-16

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

USIA-15 PRS-01 DRC-01 /170 W
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R 290920Z AUG 74

FM AMEMBASSY NEW DELHI

TO AMEMBASSY JIDDA

INFO SECSTATE WASHDC 3558

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E. O. 11652: N/A

TAGS: ENRG, BTRA, IN, SA

SUBJECT: GOI OIL TEAM TO VISIT SAUDI ARABIA

1. RECENT PRESS REPORTS CLAIM THAT GOI PETROLEUM MINISTRY SECRETARY, P. K. DAVE, AND FINANCE MINISTRY AND INDIAN OIL CORPORATION REPRESENTATIVES, PLAN TO VISIT SAUDI ARABIA (POSSIBLY JIDDA AND RIYADH) BEGINNING SEPTEMBER 1. PURPOSE OF TRIP WILL BE TO DISCUSS POSTPONEMENT OF CRUDE OIL DELIVERIES FROM STATE-OWNED PETROMIN AND TO AGAIN SEEK LONG TERM DEFERRED PAYMENT CREDIT ON COMMITTED PURCHASES DURING THE REMAINDER OF 1974 AND 1975.

2. THE GOI IMPORTED ABOUT 1.1 MILLION TONS (8.0 MILLION BARRELS) OF SAUDI ARABIAN CRUDE DURING 1973 UNDER INDIA'S CURRENT GOVERNMENT-TO-GOVERNMENT SUPPLY CONTRACT WITH PETROMIN, AND IS SCHEDULED TO RECEIVE SIMILAR VOLUMES ANNUALLY

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DURING 1974 AND 1975. OF THIS YEAR'S QUOTA, INDIA RECEIVED

0.65 MILLION TONS (4.7 MILLION BARRELS) THROUGH JUNE. JULY AND AUGUST DELIVERIES FROM PETROMIN WERE SUSPENDED AT INDIA'S REQUEST, PENDING A REVIEW BY THE GOI OF THE COUNTRY'S PRIORITIES IN OIL AND PRICES (VIS-AVIS FOREIGN EXCHANGE HOLDINGS).

3. INDIA'S PRIVATE SECTOR CRUDE SUPPLIERS ARE CONTINUING TO IMPORT OIL AT PRICES NOTABLY LESS THAN THE GOVERNMENT MUST PAY PETROMIN FOR SIMILAR QUALITIES. BURMAH-SHELL (LIGHT IRANIAN CRUDE) CURRENTLY CHARGES THE GOI \$9.90 AND CALTEX (LIGHT ARABIAN CRUDE) \$9.75 PER BARREL (F.O.B. OILPORTS). EXXON'S ARABIAN MIX (FOR HINDUSTAN PETROLEUM CORPORATION) IS PROVISIONALLY PEGGED AT \$9.56 PER BARREL. CONCURRENTLY, GOVERNMENT-TO-GOVERNMENT CRUDE FROM IRAQ, IRAN AND SAUDI ARABIA, AT 93 PERCENT OF POSTED PRICE, RANGES BETWEEN \$10.83-11.25 PER BARREL (F.O.B).

4. INDIA'S CRUDE IMPORTS FROM GOVERNMENT SOURCES IN IRAQ AND IRAN ARE PURCHASED ON DEFERRED PAYMENT PLANS INVOLVING SMALL DOWN PAYMENTS AT THE TIME OF DELIVERY, FOLLOWED BY A FIVE-YEAR GRACE PERIOD AND REPAYMENT OVER THE NEXT FIVE YEARS AT AN INTEREST RATE UNDERSTOOD TO BE ABOUT 2.5 PERCENT. THE GOI JUSTIFIES THE HIGHER PRICES FROM EACH SOURCE ON GROUNDS THAT THE DEFERRED PAYMENT SCHEMES GIVE SUBSTANTIAL FINANCIAL RELIEF ON THE SHORT TERM. MEANWHILE, SAUDI ARABIAN PARTICIPATION CRUDE MUST BE PAID FOR IMMEDIATELY, AT \$10.83 PER BARREL; \$1.08 PER BARREL ABOVE THAT WHICH THE SAME CRUDE COSTS THROUGH CALTEX SOURCES. DAVE IS THEREFORE EXPECTED TO ONCE AGAIN ATTEMPT TO NEGOTIATE A DEFERRED PAYMENT PLAN, FOR THE REMAINDER OF INDIA'S PURCHASES UNDER THE GOI'S EXISTING CONTRACT WITH PETROMIN (AN EARLIER AND FRUITLESS EFFORT, PRIOR TO THE SIGNING OF THE CURRENT GOI/PETROMIN CONTRACT, AS ILL-TIMED). IF SUCCESSFUL, HE MAY THEN OFFER TO INCREASE PURCHASES FROM SAUDI ARABIA, TO THE EXTENT POSSIBLE. (THIS WOULD GIVE THE GOI A LONG-DESIRED OPPORTUNITY TO FURTHER REDUCE PURCHASE ALLOTMENTS TO THE PRIVATE SECTOR REFINERIES IN INDIA; I. E. BURMAH-SHELL AND CALTEX.) FAILING THIS, DAVE MAY THEN ONLY BE ABLE TO ASK FOR A REDUCTION IN PRICE, (CONSIDERED BY THE GOI TO BE UNLIKELY) OR SOME FORM OF ESCAPE FROM INDIA'S ON-GOING CONTRACT (ALSO A DIFFICULT TASK).

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5. WE WILL APPRECIATE LEARNING OF EARLY DEVELOPMENTS IN THIS REGARD, SHOULD AMEMBASSY JIDDA HAVE AN OPPORTUNITY TO FOLLOW THE PROGRESS OF THESE DISCUSSIONS.
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